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December 6, 2004

via Federal Express

Jeff S. Jordan
Supervisory Attorney
Federal Elections Commission
999 E Street N.W.
Washington, D.C. 20463

RE: FEC Complaint MUR 5426
Dale Schultz for Congress (Federal Committee)
Friends and Neighbors of Dale Schultz (State Committee)

Dear Mr. Jordan:

I am writing in response to your letter to Dennis Hamilton, Treasurer, Friends and Neighbors of Dale Schultz, dated November 29, 2004.

Dale W. Schultz is a Wisconsin State Senator who ran for Congress this fall in Wisconsin's Third Congressional District.

By letter dated March 12, 2004, you advised Dale's Federal Committee, Dale Schultz for Congress, of a complaint filed with the Federal Election Commission by the Democratic Party of Wisconsin. By letter dated April 1, 2004, and in my capacity as Treasurer of Dale's Federal Committee, I responded to the complaint.

In your letter of February 29, 2004, addressed to Dale's State Committee, you advised that it may have violated the Federal Election Campaign Act of 1971 as amended; but that, due to an administrative oversight, the State Committee was not advised of the possible violation and requested to respond.

I am writing on behalf of Dale's State Committee to advise you and the FEC that the Federal Committee's reply, dated April 1, 2004, which is on file in this matter, and the accompanying Affidavit of Senator Schultz, stand as the reply of the State Committee. On December 6, 2004, I spoke with Alva E. Smith of the FEC and told her that the reply of the State Committee was the reply of the Federal Committee. Under those circumstances, Ms. Smith said it would not be necessary for me to re-file documents already in your file.

Very truly yours,

Joseph J. Hasler

JJH/cf

cc: Dale W. Schultz
Dennis Hamilton

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AFFIDAVIT OF DALE W. SCHULTZ

STATE OF WISCONSIN)
) ss:
COUNTY OF DANE)

Dale W. Schultz, being first duly sworn according to law, hereby depose
and states as follows:

1. I am an adult resident of the State of Wisconsin and serve as the
State Senator for Wisconsin's 17th State Senate district. I reside at 515 North
Central Avenue, Richland Center, WI 53581.

2. I was first elected to the Wisconsin State Assembly in 1982 and
was re-elected to two-years terms, until I won a special election for the Wisconsin
State Senate in 1991.

3. I was elected to full four-year terms in 1994, 1998 and 2002.
Except for one uncontested Assembly race in 1990, I have faced opponents in
each of my elections. I now chair the State Senate Agriculture Committee.

4. Wisconsin's 33 State Senators are elected for staggered four-year
terms. Partisan control of the state legislature has shifted between the Democrats
and Republicans several times in the last ten years.

5. State Senate seats are frequently hotly contested. In my
experience, virtually all incumbent State Senators of both parties maintain
continuing campaign organizations and efforts throughout their four-year terms.
State Senators who are contemplating running for re-election never wait until the
election year to raise money or get their name in front of constituents.

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6. I have maintained a state campaign account and campaign committee for approximately 20 years to support my runs for state legislative office.

7. Even though I am only near the midway point of my current four-year term, I have been actively doing the kinds of things that most incumbent State Senators of both parties do to keep my name before the voters of my district.

8. All contributions to my state committee as well as disbursements are recorded and reported to the Wisconsin State Elections Board on state campaign finance reports.

9. In September 2003, I decided to become a candidate for the Third Congressional District seat and filed a federal registration for my committee. That seat is now held by Ron Kind, who is now serving his fourth term in the House.

10. I do not have to give up my State Senate seat to run for Congress, and if I am not elected to Congress, I will remain a State Senator. In that event, I intend to run for re-election to the State Senate in the next election year (2006).

11. I have reviewed the Democratic Party of Wisconsin complaint to the Federal Election Commission and have personal knowledge of the items set forth in the following paragraphs.

12. 7/12/03, Hynek Printing, \$750.42 -- For all of the years that I have served in the Legislature, I have been invited to numerous community parades throughout my State Senate district. I appear at dozens of such events each year regardless of whether it is an election year or not. In recent years, I have provided

stickers to hand out to people in the crowd and reprint them when they run out. This item was for the stickers that I hand out at parades; it was done prior to the time I became a federal candidate and was designed to support my State Senate activities.

13. Ben Lewis, 7/28/03, Consulting, \$1,000; and Ben Lewis, 8/25/03, Consulting/Mileage, \$1,347.44 -- Mr. Lewis was a state campaign worker who provided a variety of services to the state campaign committee. Again, this item was incurred before I decided to run for Congress and declared my candidacy, and it supported my state legislative efforts.

14. U.S. Post Office, 8/20/03, Bulk Mailing Permit -- For approximately 20 years, I have maintained a bulk mailing permit, first to support my State Assembly activities, and later, my time in the State Senate. The permit had been in place for many years and this was simply a renewal by my state campaign committee. The bulk mailing permit is only used for state campaign purposes. Federal mailings are handled by an outside vendor.

15. Dale Schultz, 9/02/03, Mileage/Cell Phone/Fundraiser Food, \$921.16 -- I was reimbursed for mileage within my State Senate district, cell phone usage and food served at an event that raised funds for my state campaign committee. These expenses were incurred to help raise money for my state committee and not for my federal committee.

16. John O'Brien, 9/04/03, Postage \$29.02; and 9/04/03, U.S. Post Office, \$7.40 -- My state campaign committee reimbursed a state committee volunteer for postage expenses incurred by the state committee. Mr. O'Brien

typically enters the names and addresses of state donors into a state campaign donor database and prepares thank you letters for me to send out. The postage supported contributions to the state campaign committee.

17. Nova Video, 9/09/03, Advertising, \$225.00 -- For a number of years, the local Representative to the Assembly and I have jointly sponsored a local cable access program, "About Town." We receive an acknowledgement of our sponsorship, but it is not advertising to advocate my election to Congress. This has been a traditional state campaign committee contribution to the local cable access effort and is done in conjunction with the State Representative to the Assembly for that area. (In Wisconsin, each State Senate District is made up of three adjoining Assembly districts).

18. Republican Party of Wisconsin, 9/25/03, Polling Data/Voter List, \$15,620.90 -- This item reimburses the State Republican Party for services it provided in July 2003 to prepare research specific to my State Senate district. I was concerned because my percentage of the vote for my 2002 re-election was about 3.5% lower than when I was re-elected in 1998. In connection with my 2002 re-election effort, I had commissioned some polling from a national firm, but was not pleased with the work product or the results. I decided to work with the state party, which needed to charge me market rates for their efforts. I commissioned them to compile demographic statistics and analyze past poll information specific to my State Senate District to help understand why I had lost market share in my most recent re-election. They also provided a targeted voter list for my State Senate District for possible use in state fundraising. The list has

not been used in the federal campaign. This work product was delivered to me in July 2003, several months before I decided to run for Congress and filed as a candidate. No new polling was done, and none was targeted to a potential run for Congress. Although paid on September 25, the services were rendered several months earlier.

19. WRCO, 10/20/03, Advertising, \$360.00 -- WRCO is a local radio station that maintains a booster club. The station is located in my hometown, in my State Senate District. For many years, I have paid to help support broadcasts of the local high school. I received a brief acknowledgment for my sponsorship but it is not tied to my candidacy for Congress.

20. Ben Lewis, 10/24/03, Consulting/Mileage, \$1,010.87; 11/24/03, Ben Lewis, Mileage/Stamps/Supplies, \$683.37; 11/25/03, Ben Lewis, Consulting, \$500.00; and 12/30/03 Ben Lewis, consulting/mileage/phones/camera, \$1,142.41 -- By the Fall of 2003, I had declared my candidacy for Congress and Mr. Lewis shifted from working on state matters to the Congressional campaign. These items were mistakenly paid from the state committee. However, on January 29, 2004, the Treasurer for the Federal Committee realized that these items should have been paid by the federal committee and paid these expenses to Mr. Lewis and Mr. Lewis in turn reimbursed the state committee. This was done before the DPW raised any kind of question about these amounts.

21. State Elections Board, 10/27/03, Fine, \$125.00 -- My state campaign committee is required to file periodic expense reports with the Wisconsin State Elections Board. The committee is required to file both a paper

and an electronic report. For one reporting period, one of these reports was mailed on time and the other was sent several days late. The \$125 fine was imposed by the State Elections Board against the state committee for being late.

22. Dale Schultz, 11/03/03, Mileage/Cell Phone Expense, \$642.89; and Dale Schultz, 12/01/03, Mileage/Cell Phone, \$870.75 -- Upon further review, the some of the cell phone usage and some of the mileage should properly have been charged to the federal campaign committee. As a matter of habit, these were traditionally paid by the state campaign. For example, some of the mileage relates to appearances before interest groups, some in my capacity as Chair of the State Senate Agriculture Committee. Wis. Stat. § 19.56 specifically encourages state public officials "to meet with clubs, conventions, special interest groups, political groups, school groups and other gatherings" to discuss public policy. Advance approval requirements for use of a state office budget sometimes makes it difficult or impossible to obtain official reimbursement for some appearances. Other parts of the state Ethics Code make it difficult for such groups to provide reimbursement, to the extent that such groups have a budget at all for that purpose. Consequently, my understanding is that it is typical for an elected official's state campaign committee to cover costs that are not otherwise covered by their official expense accounts.

23. When we realized that the mistake in paragraph 22, above had occurred, I considered whether we could examine each of the individual items and attempt to break them out between state and federal activities. However, given the passage of time, it would be difficult to recall and certify with any degree of

confidence which calls related to which subject matters, and to certify that no mention of the federal campaign occurred during some of the appearances. Instead, I directed my federal campaign to reimburse me for these two line items, and I, in turn, have now refunded the prior payments to the state committee.

24. Dale Schultz, 11/22/03, Pheasants for Fundraiser, \$400.00 -- This item reimburses me for expenses incurred in connection with a state fundraising effort for my state campaign committee. This did not relate to fundraising for the federal campaign committee in any way.

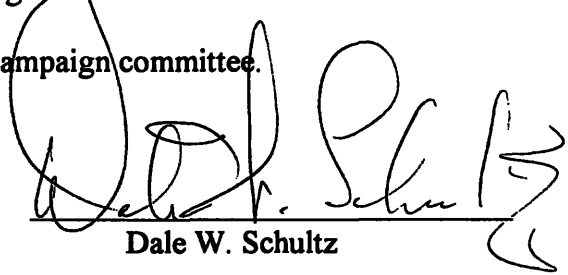
25. State of Wisconsin, 12/19/03, American Flags, \$270.25 -- Another local state legislator and I bought returning National Guard troops American flags and handed them out at a non-partisan, non-political recognition of the troops when they returned to Wisconsin. This event was attended by myself, the local Representatives to the Assembly and Congressman Kind. There was no partisanship or politicking by any of the local or national legislators in attendance. I did not believe that my official State Senate office budget would cover this type of item, and instead ran the flag expense through my state committee fund.

26. 12/19/03 -- John O'Brien for replacement of computer equipment for campaign. \$725.00 -- The computer equipment in question was a printer utilized to support my state campaign effort. The old printer was worn out and needed replacement. The state campaign committee reimbursed Mr. O'Brien for the expense of replacing the printer with a refurbished unit. This printer is not used in any way by the federal committee or in my Congressional campaign. The federal campaign committee has made other arrangements for printing all

Congressional campaign documents through a media firm and outside vendors.


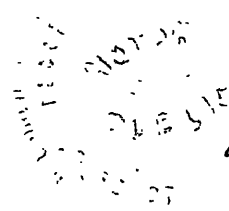
All such expenses are paid by the federal campaign committee.

Dated this 1st day of April, 2004.



Dale W. Schultz

Subscribed and sworn to before me
this 1st day of April, 2004.



Notary Public, State of Wisconsin
My commission expires: 09/23/07

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